

1.12 CONTRACTUAL SERVICES (Object 08)

Interagency Agreements

All interagency agreements of \$25,000 or more must be reported on a DA-23 form. Agencies must use Comptroller Object 0885, "In-State Services – Other," to budget expenditures related to interagency agreements. This object may be used for agreements with local government entities also.

Agreements between a State agency and a public institution of higher education

On or before August 1, 2015, each State agency and public institution of higher education must report any interagency agreements in place for any part of fiscal year 2015 between State agencies and any public institution of higher education involving potential expenditures in excess of \$100,000 over the term of the agreement. This reporting mechanism is described in Section 31 of the FY 2016 Budget Bill. Please refer to the reporting requirements on the DBM website, <http://dbm.maryland.gov/proc-contracts/Pages/InteragencyAgreementReporting.aspx>

As described in the letter sent from DBM on May 6, 2015, for FY 16, there are two new requirements related to Agreements between Agencies and Institutions. Section 31 of the Fiscal 2016 Budget Bill requires that DBM review each current Agreement that is **in excess of \$500,000**. Additionally, no new Agreements between Agencies and Institutions that involve expenditures exceeding \$500,000 over the term of the Agreement may be entered into for FY 2016 **without prior approval by DBM**.

Contracts

Form DA-23 is required for each program or subprogram with budgeted contracts. Where contracts are funded in various subprograms, there should be an entry for each funding component of the contract as well as for the total for each contract.

- Each contract greater than \$25,000 must be listed separately.
- Contracts less than \$25,000 must be included on one line (not listed separately) for each subprogram.
- Agencies should provide a subtotal of actual, appropriation, and request amounts at the subobject level of detail for each subprogram.

The components of complex "lump sum" line-item requests should be detailed and justified, preferably on a DA-2, with rates and units of service for all components. Line-item requests for simpler amounts may be justified using the HOB "fifty character" field, column 19, allowed for each line-item in the HOB submission.

The justification of each contractual service line-item should explain how the request for each line-item was determined. Examples may include:

- Planned actual cost of the next year of an approved multi-year contract,
- Three-year average of expenditures plus inflation,
- Current contract plus inflation, or
- Projected rate times units of service.

It is strongly suggested that agencies use subobject 0899 only if there is no other appropriate subobject. Be prepared to explain the detail behind any items included in 0899.